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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS**DOCKETED**

NOV 14 2005

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

DOCKETED BY

DOCKET NO. SW-04316A-05-0371

DECISION NO. **68306**

IN THE MATTER OF THE APPLICATION OF
ENTRADA DEL ORO SEWER COMPANY FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY FOR WASTEWATER SERVICE.

OPINION AND ORDER

DATE OF HEARING:

September 16, 2005

PLACE OF HEARING:

Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE:

Amy Bjelland

APPEARANCES:

Mr. Michael W. Patten, ROSHKA, DeWULF &
PATTEN, PLC, on behalf of Applicant; and

Mr. Keith Layton, Staff Attorney, Legal
Division, on behalf of the Utilities Division of
the Arizona Corporation Commission.

BY THE COMMISSION:

On May 24, 2005, Entrada Del Oro Sewer Company ("Company" or "Applicant"), filed an application for a Certificate of Convenience and Necessity ("Certificate") with the Arizona Corporation Commission ("Commission") to provide wastewater service to a development known as Entrada Del Oro, located in Pinal County, Arizona, approximately four miles east of Gold Canyon.

On May 31, 2005 and June 8, 2005, the Company filed Supplements to its application.

On June 22, 2005, the Commission's Utilities Division Staff ("Staff") filed a letter notifying Applicant that its application was administratively sufficient pursuant to the requirements of A.A.C. R14-2-602(A)(2).

By Procedural Order issued June 24, 2005, a hearing was scheduled to commence on September 15, 2005.

By Procedural Order issued June 27, 2005, the hearing was rescheduled to commence on September 16, 2005.

1 On July 21, 2005, the Company filed a Notice of Filing Affidavit of Publication as required
2 by the Commission's Procedural Order of June 24, 2005.

3 On July 27, 2005, the Company filed a Notice of Filing Affidavit of Mailing as required by
4 the Commission's Procedural Order dated June 24, 2005.

5 On August 8, 2005, the Company filed its Approval of Sewer Franchise from Pinal County.

6 On August 11, 2005, the Staff filed its Staff Report in this matter. Staff recommended
7 approval of the application subject to certain conditions.

8 On September 16, 2005, a hearing was convened before a duly authorized Administrative
9 Law Judge of the Commission at its offices in Phoenix, Arizona. At the conclusion of the hearing,
10 the matter was taken under advisement pending submission of a Recommended Opinion and Order.

11 * * * * *

12 Having considered the entire record herein and being fully advised in the premises, the
13 Commission finds, concludes, and orders that:

14 FINDINGS OF FACT

15 1. Applicant is a corporation formed for the purpose of providing wastewater utility
16 service to the Entrada Del Oro development, an area consisting of approximately 452 acres, located
17 in Pinal County approximately four miles east of Gold Canyon (Ex. A-1). Arizona Water Company
18 was granted a CC&N to deliver water service to the same development in Decision No. 66235
19 (September 16, 2003).

20 2. Applicant received a request for service to provide wastewater utility service from the
21 developer of the Entrada Del Oro subdivision. The developer of the subdivision contacted several
22 nearby wastewater utility service providers; however, the companies did not indicate interest in
23 serving the project, which is surrounded by state and federal lands (Ex. S-1 at 1; Tr. at 7).

24 3. Applicant plans to finance the wastewater utility system with \$4.4 million of paid-in
25 capital and \$1.9 million in the form of a contribution from Engle Homes, the purchaser of Phase 1,
26 the first phase of 372 lots (Ex. S-1 at 1; Tr. at 14). Engle Homes is contributing the installation of the
27 on-site collection system for Phase 1 of the development (Ex. S-1 at 1). Applicant anticipates that
28 collection systems of future phases of the development will be installed and contributed by

1 homebuilders (*Id.*). Applicant is funding the construction of the treatment facility, building, walls,
2 landscaping, force main and other improvements (*Id.*).

3 4. The proposed facility is a 0.3 million gallons per day Marwood package wastewater
4 treatment plant (Ex. S-1 at 1; Ex. S-1, Ex. 2 ("Engineering Report")). Applicant has obtained a
5 permit from the United States Environmental Protection Agency National Pollutant Discharge
6 Elimination System that authorizes treated effluent to be disposed of in a dry wash (Ex. S-1 at 1).
7 The Arizona Department of Environmental Quality ("ADEQ") approved the proposed on-site
8 wastewater treatment and disposal system by issuing an Aquifer Protection Permit on May 17, 2005.

9 5. Pursuant to Section 208 of the Federal Water Pollution Control Act, each state is
10 required to develop and implement area-wide water quality management plans for pollution control
11 purposes. The Central Arizona Association of Governments ("CAAG") has been designated as the
12 area-wide water quality management planning agency for Pinal County. According to Staff, ADEQ
13 certified that Applicant's Entrada Del Oro Water Management System Plan Amendment is consistent
14 with the CAAG Water Quality Management Plan (Ex. S-1 at 2).

15 6. Pursuant to the Commission's rules, Applicant provided five-year projections for plant
16 values, operating revenues and expenses, and number of customers. Such projections are necessary
17 to establish rates for new companies due to the lack of historical data. Staff reviewed Applicant's
18 projections and recommended that the Commission find that the projected fair value rate base will be
19 \$3,343,970 (Ex. S-1 at 2).

20 7. Applicant proposed an initial residential flat rate of \$70.00. Staff found Applicant's
21 proposed residential rate to be reasonable and recommended approval of that rate. Applicant
22 recommended proposed an initial school service flat rate of \$7.00 per student. Staff found \$5.60 to
23 be a more reasonable estimated rate of students' water use at school and recommended approval of
24 Staff's recommended flat rate for school service per student. Applicant's proposed rates and charges
25 for initial wastewater service are as follows:

26 ...

27 ...

MONTHLY WASTEWATER SERVICECompany ProposedStaff Recommended

Residential Service	\$70.00	\$70.00
School Service – Per Student	7.00	5.60

OTHER RATES AND CHARGES

Establishment of Service – Regular Hours	\$30.00	\$30.00
Establishment of Service – After Hours	60.00	60.00
Re-establishment of Service (Within 12 Months)	*	*
Reconnection – Delinquent	60.00	60.00
Customer Deposit	**	**
Deposit Interest	3.50%	**
NSF Check Charge	35.00	25.00
Late Payment Penalty – Per Month	1.50%	1.50%
Deferred Payment Interest – Per Month	1.50%	1.50%
Main Extensions/Additional Facilities	Cost	Cost
Revenue Taxes & Assessments	***	***

* Per A.A.C. R14-2-603(D) – Months off system times the minimum charge.

** Per A.A.C. R14-2-603(B)

*** Per A.A.C. R14-2-608(D)

8. Based on its review, Staff recommended that the Commission grant the Company's Application for a Certificate to provide wastewater services, subject to the following conditions:

(a) The Company must use the depreciation rates delineated in Table 1 of Staff's Engineering Report;

(b) The Company must file documentation with Docket Control by December 31, 2007, which demonstrates that the system is in service;

(c) The Company must charge Staff's recommended rates and charges;

(d) The Company must file a permanent rate application in its sixth year of operations, using the fifth year as the test year; and

(e) The Company must file documentation of the date service is first provided within 30 days of that date.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §40-281 *et seq.*

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of the application was provided in accordance with law.

4. There is a public need and necessity for wastewater utility service in the proposed service territory as set forth in Exhibit A attached hereto.

5. Applicant is a fit and proper entity to receive a wastewater CC&N to include the service area more fully described in Exhibit A attached hereto, subject to compliance with the conditions set forth above.

6. Staff's recommendation for approval of the application is reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the application of Entrada Del Oro Sewer Company for a new Certificate of Convenience and Necessity to provide wastewater service to the area in Pinal County, Arizona, as described in Exhibit A attached hereto, is approved subject to the conditions and requirements recommended by Staff, as set forth above.

IT IS FURTHER ORDERED that Entrada Del Oro Sewer Company shall use the depreciation rates delineated in Table 1 of Staff's Engineering Report.

IT IS FURTHER ORDERED that Entrada Del Oro Sewer Company shall file documentation with Docket Control, as a compliance item in this docket, by December 31, 2007, which demonstrates that the system is in service.

IT IS FURTHER ORDERED that Entrada Del Oro Sewer Company shall charge Staff's recommended rates and charges.

IT IS FURTHER ORDERED that Entrada Del Oro Sewer Company shall file a permanent rate application in its sixth year of operations, using the fifth year as the test year.

IT IS FURTHER ORDERED that Entrada Del Oro Sewer Company shall file documentation with the Commission's Docket Control, as a compliance item in this docket, of the date service is first provided, within 30 days of that date.

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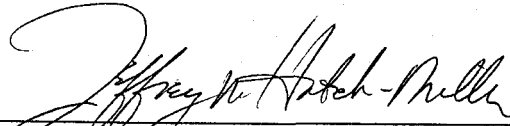
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IT IS FURTHER ORDERED that failure by Entrada Del Oro Sewer Company to comply with Staff's recommendations within the specified time frames set forth above, will render the Certificate null and void.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.


CHAIRMAN

COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 14th day of NOV., 2005.


BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

1 SERVICE LIST FOR:

ENTRADA DEL ORO SEWER COMPANY

2 DOCKET NO.:

SW-04316A-05-0371

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5 ROSHKA HEYMAN & DeWULF
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EXHIBIT A

**LEGAL DESCRIPTION
ENTRADA DEL ORO
PINAL COUNTY, ARIZONA**

Government Lots 1, 2, and 3, the Southeast quarter of the Southwest quarter, the Southeast quarter of the Northwest quarter, the Northeast quarter of the Southwest quarter, the South half of the Northeast quarter, the Northeast quarter of the Northwest quarter, and the North half of the Northeast quarter of Section 30, Township 1 South, Range 10 East, of the Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

Commencing at the Southwest corner of Section 30, said point being a found G.L.O. brass cap, thence North 0 degrees 52 minutes 48 seconds East, 1319.82 feet along the west line of Section 30 to the Southwest corner of GLO Lot 3, said point being the POINT OF BEGINNING; thence North 0 degrees 52 minutes 48 seconds East, 1319.82 feet to the West quarter corner of Section 30, said point being a found G.L.O. brass cap; thence North 0 degrees 51 minutes 03 seconds East, 2641.20 feet to the Northwest corner of Section 30; thence South 89 degrees 03 minutes 34 seconds East, 2788.95 feet to the North quarter corner of Section 30; thence South 89 degrees 03 minutes 34 seconds East, 2637.30 feet to the Northeast corner of Section 30; thence South 1 degrees 01 minutes 42 seconds West, 2634.15 feet to the East quarter corner of Section 30; thence North 89 degrees 08 minutes 02 seconds West, 2633.33 feet to the Center of Section 30; thence South 0 degrees 56 minutes 31 seconds West, 2640.91 feet to the South quarter corner of Section 30; thence North 89 degrees 06 minutes 28 seconds West, 1318.75 feet to the Southwest corner of the Southeast quarter of the Southwest quarter of Section 30; thence North 0 degrees 56 minutes 35 seconds East, 1320.15 feet to the Southeast corner of GLO Lot 3; thence North 89 degrees 07 minutes 15 seconds West, 1464.61 feet to the Southwest corner of GLO Lot 3 and the POINT OF BEGINNING.

Containing 452.671 acres, more or less, and being subject to easements of record.

